Second Quarter

Management Discussion and Analysis

As at and for the three and six months ended June 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for STEP Energy Services Ltd. ("STEP" or the "Company") has been prepared by management as of August 10, 2022 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards ("IFRS"). It should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto as at and for the three and six months ended June 30, 2022 (the "Quarterly Financial Statements") and the audited consolidated financial statements as at and for the year ended December 31, 2021 (the "Annual Financial Statements") and related MD&A (the "Annual MD&A"). Readers should also refer to the "Forward-looking information & statements" legal advisory and the section regarding "Non-IFRS Measures and Ratios" at the end of this MD&A. All financial amounts and measures are expressed in Canadian dollars unless otherwise indicated. Additional information about STEP is available on the SEDAR website at www.sedar.com, including the Company's Annual Information Form for the year ended December 31, 2021 dated March 16, 2022 (the "AIF").

STEP is an energy services company that provides coiled tubing, fluid and nitrogen pumping and hydraulic fracturing solutions. Our combination of modern equipment along with our commitment to safety and quality execution has differentiated STEP in plays where wells are deeper, have longer laterals and higher pressures. STEP has a high-performance, safety-focused culture and its experienced technical office and field professionals are committed to providing innovative, reliable and cost-effective solutions to its clients.

Founded in 2011 as a specialized deep capacity coiled tubing company, STEP has grown into a North American service provider delivering completion and stimulation services to exploration and production ("E&P") companies in Canada and the U.S. Our Canadian services are focused in the Western Canadian Sedimentary Basin ("WCSB"), while in the U.S., our fracturing and coiled tubing services are focused in the Permian and Eagle Ford in Texas, the Uinta-Piceance and Niobrara-DJ basins in Colorado and the Bakken in North Dakota.

Our four core values; **Safety**, **Trust**, **Execution** and **Possibilities** inspire our team of professionals to provide differentiated levels of service, with a goal of flawless execution and an unwavering focus on safety.

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CONSOLIDATED HIGHLIGHTS

FINANCIAL REVIEW

($000s except percentages and per share amounts)	Three months ended			Six months ended	
	June 30, 2022	June 30, 2021	March 31, 2022	June 30, 2022	2021
Consolidated revenue	$ 273,000	$ 107,546	$ 219,539	$ 492,539	$ 244,358
Net income (loss)	$ 38,064	$ (10,582)	$ 9,173	$ 47,237	$ (18,526)
Per share-basic	$ 0.557	$ (0.156)	$ 0.135	$ 0.692	$ (0.272)
Per share-diluted	$ 0.535	$ (0.156)	$ 0.132	$ 0.672	$ (0.272)
Weighted average shares – basic	68,322,384	68,051,699	68,189,275	68,263,897	67,886,996
Weighted average shares – diluted	71,086,105	68,051,699	69,737,461	70,271,613	67,886,996
Adjusted EBITDA [(1)]	$ 55,251	$ 11,676	$ 36,990	$ 92,241	$ 27,636
Adjusted EBITDA % [(1)]	20%	11%	17%	19%	11%
Free Cash Flow [(1)]	$ 33,167	$ 962	$ 16,172	$ 49,339	$ 8,131
Fracturing services					
Fracturing operating days [(2)]	508	320	615	1,123	734
Proppant pumped (tonnes)	697,000	466,000	601,000	1,298,000	985,000
Active horsepower (“HP”), ending [(3)]	380,000	310,000	380,000	380,000	310,000
Total HP, ending	490,000	490,000	490,000	490,000	490,000
Coiled tubing services					
Coiled tubing operating days [(2)]	913	726	1,075	1,988	1,502
Active coiled tubing units, ending	16	15	16	16	15
Total coiled tubing units, ending	29	29	29	29	29

[(1)] Adjusted EBITDA and Free Cash Flow are non-IFRS financial measures, Adjusted EBITDA % is a non-IFRS financial ratio. These metrics are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

[(2)] An operating day is defined as any coiled tubing or fracturing work that is performed in a 24-hour period, exclusive of support equipment.

[(3)] Active horsepower denotes units active on client work sites. An additional 15-20% of this amount is required to accommodate equipment maintenance cycles.

($000s except shares)	June 30, 2022	December 31, 2021
Cash and cash equivalents	$ 2,178	$ 3,698
Working Capital (including cash and cash equivalents) [(1)]	$ 54,386	$ 3,912
Total assets	$ 615,952	$ 483,848
Total long-term financial liabilities [(1)]	$ 192,559	$ 175,689
Net debt [(1)]	$ 194,207	$ 186,885
Shares outstanding	68,768,853	68,156,981

[(1)] Working Capital, Total long-term financial liabilities and Net debt are non-IFRS financial measures. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

	Three months ended				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
AECO-C Spot Average Price (CAD/MMBtu)	$ 7.27	$ 4.78	$ 4.75	$ 3.57	$ 3.10
WTI – Average Price (USD/bbl)	$ 108.61	$ 94.77	$ 77.31	$ 70.61	$ 66.19
WCS – Average Price (USD/bbl)	$ 92.93	$ 81.80	$ 60.84	$ 57.64	$ 53.29
Condensate – Average Price (USD/bbl)	$ 104.00	$ 97.19	$ 79.53	$ 70.85	$ 64.87
Average Exchange Rate (USD/CAD)	$ 0.78	$ 0.79	$ 0.79	$ 0.79	$ 0.81
Canadian Average Drilling Rig Count [(4)]	115	193	159	150	71
U.S. Average Drilling Rig Count [(4)]	704	636	545	484	437

Source: Baker Hughes, Bloomberg

[(4)] Only includes land-based rigs.

FINANCIAL HIGHLIGHTS

- Revenue of $273.0 million in the second quarter of 2022 was the strongest quarter in Company history and was significantly better than the $107.5 million generated in Q2 2021 and $219.5 million generated in Q1 2022.
- Q2 2022 generated net income of $38.1 million, benefitting from $32.7 million in reversal of impairment loss. STEP had a net loss of $10.6 million in Q2 2021 and net income of $9.2 million in Q1 2022.
- Q2 2022 Adjusted EBITDA of $55.3 million, was an increase of 373% over the $11.7 million generated in Q2 2021 and a sequential increase of 49% over the $37.0 million generated in Q1 2022. Q2 2021 benefited from $1.9 million of Canadian Emergency Wage Subsidy ("CEWS") (Q1 2022 - $nil, Q2 2022 - $nil).
- Q2 2022 Free Cash Flow of $33.2 million, was a sequential increase of 105% over the $16.2 million generated in Q1 2022. Free Cash Flow of $49.3 million for the six months ended June 30, 2022 was $41.2 million increase over the $8.1 million generated for the six months ended June 30, 2021.
- STEP's operations in Canada and the U.S. continued to benefit from improving market conditions, with net pricing gains and robust utilization driving stronger financial results in Q2 2022 relative to Q1 2022.
- As a result of the significant increase in operating activity in Q2 2022, Working Capital increased to $54.4 million at the end of Q2 from $3.9 million in Q4 2021 and Net debt increased to $194.2 million from $186.9 million in Q4 2021.
- Subsequent to June 30, 2022, STEP entered into an agreement to amend and extend its credit agreement for a three-year term with a maturity date of July 12, 2025.

SECOND QUARTER 2022 OVERVIEW

The second quarter of 2022 was a record for STEP, delivering the best financial results in the Company's history. Both the Canadian and U.S. geographic regions experienced strong demand for services, generating $273.0 million of revenue and $38.1 million of net income, a significant improvement on a sequential and year over year basis. The Company also generated $55.3 million in adjusted EBITDA and $33.2 million in Free Cash Flow in the quarter, also higher on a sequential and year over year basis.

Second quarter activity levels experienced the typical bifurcation between Canada and the northern U.S. regions that are affected by seasonal spring break up ("break up") conditions and the southern U.S. region which is not affected by break up. According to the Baker Hughes rig count, the Canadian land rig count averaged 115 in Q2 2022, down 40% sequentially due to break up but up 62% on a year over year basis. The U.S. land rig count averaged 704 rigs in Q2 2022, up 11% sequentially and 61% on a year over year basis. In line with the lower rig count utilization, Canada and the northern U.S. experienced periods of low utilization from mid April to mid May, with some areas experiencing more pronounced break up conditions.

Strategic positioning with clients that had large multi-well pads provided STEP's Canadian and U.S. fracturing service lines with highly efficient operations through the second quarter, with Canadian results bolstered by several clients moving work from the third quarter into the second quarter to capitalize on high commodity prices. The Company pumped 697 thousand tonnes of sand, across 279 operating days in Canada and 229 operating days in the US. Utilization was up year over year in both regions, although Canada was down sequentially due to break up. The coiled tubing division was more affected by break up conditions in Canada and the northern U.S. region, and had sequentially lower utilization, declining 17% from Q1. Coiled tubing had 371 operating days in Canada and 542 operating days in the U.S.

Pricing remained largely steady relative to the first quarter of 2022 in Canada and continued to improve on a pad-by-pad basis in the U.S., with additional margin earned in the U.S. from the supply of proppant and chemicals for a higher proportion of our clients. Inflation continued to advance through the second quarter of 2022, with the effect most pronounced on proppant. STEP was successful in passing these cost escalations through to its clients during the second quarter of 2022.

Net income of $38.1 million was affected by several notable items in the second quarter of 2022. In response to the strong year to date financial performance and the more constructive outlook, the Company reversed approximately $32.7 million of the general impairment of the Canadian cash generating units (CGU) taken in the first quarter of 2020. STEP's total share-based compensation expense was $9.5 million, of which $8.9 million was for cash settled share-based compensation, reflecting the nearly 67% increase in the Company's share price in the second quarter. The Company also accelerated depreciation expense in the second quarter of 2022 on certain assets as a result of changes in technology and operating conditions.

The strong financial results generated basic and diluted net income per share of $0.557 and $0.535, respectively, in the second quarter of 2022 compared to a net income per share, basic and diluted, of $0.135 and $0.132, respectively in the prior quarter and a net loss per share, basic and diluted, of $0.156 in the prior same period of the prior year.

The Company continued to focus on strengthening the balance sheet through the second quarter of 2022. Working Capital increased to $54.4 million from $52.8 million recorded at March 31, 2022. Net Debt was reduced to $194.2 million at June 30, 2022 from $214.3 million at March 31, 2022, impacted slightly by slower collection of trade receivables at the end of the second quarter of 2022. The Company had a Funded Debt to Adjusted Bank EBITDA of 1.54:1, under the limit of 3.00:1, and remained in compliance with all other financial and nonfinancial covenants, as at June 30, 2022.

Subsequent to the end of the second quarter 2022, STEP amended and extended its credit agreement. The amended and restated agreement provides STEP with more flexibility in managing its capital structure by converting the term loan facility into a revolving credit facility and provides longer-term stability through an extension to July 2025.

OUTLOOK

STEP anticipates that the current strength in oil and natural gas prices will continue through the balance of the year and into 2023. The risk of near-term volatility in the financial markets will continue to exist while concerns over recession persist, but the fundamentals of the physical oil market continue to remain strong, with industry reports showing that oil supply is expected to remain constrained through 2023. The dislocation between the financial markets and the physical market is supported by STEP's clients, who have not messaged any pullback in their activity as a result of near-term price volatility. Natural gas prices are expected to remain robust into 2023, buoyed by a geopolitical risk premium and storage levels that are at the low end of the five-year averages.

The Company has a constructive view on the second half of the year, with utilization expected to stay steady. The third quarter of 2022 has had a softer start, allowing for maintenance work to be completed on equipment that was worked intensively through the second quarter of 2022, but activity is increasing as the quarter progresses. The Company anticipates that fracturing activity in the third quarter will see a higher proportion of annular fracturing and single well work relative to the second quarter of 2022. This shift in job mix is anticipated to keep utilization high, although at margins that are modestly lower than those driven by the large multi well pads that STEP completed in the second quarter of 2022, due to reduced efficiencies. There is improving visibility into the fourth quarter of 2022, and the Company expects that clients will remain active through the fourth quarter, and early client discussions are trending favourably towards adding to 2022 budgets to complete additional wells before year end as concerns continue to mount around equipment availability in 2023.

The first half of 2022 saw pricing respond to the inflationary pressures and tightness in supply. The Company expects the rate of change to be lower in the second half of 2022, particularly in Canada as competitors signal that more capacity is coming to the market. However, STEP believes the Canadian pumping market is close to balance and does not anticipate bringing additional equipment to the market in 2022 until full cycle returns are achievable. Pricing in the U.S. is anticipated to increase through the balance of the year as the major market participants all signal that their fleets are sold out for the remainder of the year.

The outlook for 2023 is looking increasingly constructive. Rig count forecasts for 2023 are expected to increase over 2022 levels and the call on pressure pumping is anticipated to rise with it. The industry may need to bring some capacity to market in 2023 to meet demand, particularly in Canada if the treaty negotiations with the Blueberry River First Nation are resolved in a manner that reopens their territory to continued development. STEP believes that supply will remain tight as much of the idled capacity in the industry will likely require significant investment to move from parked to active status. Reactivations may be further complicated by the ongoing supply chain and labour constraints that are expected to persist into 2023. The Company believes publicly traded service providers are also mindful of the fundamentals of profitability and free cash flow, following the lead of the E&P companies that are focused on deleveraging their balance sheets and delivering returns to shareholders.

STEP's focus for the balance of 2022 and into 2023 is on generation of Free Cash Flow. The strong results posted in the second quarter of 2022 accelerate the Company's goals to reduce its balance sheet leverage and making disciplined investments that support STEP's goal of building a resilient company and creating shareholder value.

CANADIAN FINANCIAL AND OPERATIONS REVIEW

STEP has a fleet of 16 coiled tubing units in the WCSB. The Company's coiled tubing units are designed to service the deepest wells in the WCSB. STEP's fracturing business primarily focuses on the deeper, more technically challenging plays in Alberta and northeast British Columbia. STEP has 282,500 fracturing HP of which approximately 132,500 HP has dual-fuel capability. The Company deploys or idles coiled tubing units or fracturing horsepower as dictated by the market's ability to support targeted utilization and economic returns.

($000's except per day, days, units, proppant pumped and HP)	Three months ended			Six months ended	
	June 30, 2022	June 30, 2021	March 31, 2022	**June 30, 2022**	June 30, 2021
Revenue:					
Fracturing	**$ 140,513**	$ 55,321	$ 119,014	**$ 259,527**	$ 143,150
Coiled tubing	**24,596**	17,844	27,798	**52,394**	39,377
	165,109	73,165	146,812	**311,921**	182,527
Expenses:					
Operating expenses	**133,684**	65,943	121,365	**255,049**	162,071
Selling, general and administrative	**3,950**	1,778	3,324	**7,274**	3,543
Results from operating activities	**$ 27,475**	$ 5,444	$ 22,123	**$ 49,598**	$ 16,913
Add non-cash items:					
Depreciation	**11,124**	9,792	9,126	**20,250**	19,031
Share-based compensation – Cash settled	**838**	267	544	**1,382**	629
Share-based compensation – Equity settled	**273**	130	75	**348**	589
Adjusted EBITDA [1]	**$ 39,710**	$ 15,633	$ 31,867	**$ 71,578**	$ 37,162
Adjusted EBITDA % [1]	**24%**	21%	22%	**23%**	20%
Sales mix (% of segment revenue)					
Fracturing	**85%**	76%	81%	**83%**	78%
Coiled tubing	**15%**	24%	19%	**17%**	22%
Fracturing services					
Fracturing revenue per operating day[1]	**$ 503,631**	$ 317,937	$ 301,301	**$ 385,055**	$ 315,308
Number of fracturing operating days [2]	**279**	174	395	**674**	454
Proppant pumped (tonnes)	**358,000**	275,000	323,000	**681,000**	602,000
Stages completed	**3,114**	1,942	4,761	**7,875**	5,155
Proppant pumped per stage	**115**	142	68	**86**	117
Horsepower ("HP")					
Active pumping HP, end of period	**215,000**	200,000	215,000	**215,000**	200,000
Total pumping HP, end of period [3]	**282,500**	282,500	282,500	**282,500**	282,500
Coiled tubing services					
Coiled tubing revenue per operating day[1]	**$ 66,296**	$ 58,697	$ 49,551	**$ 56,217**	$ 51,473
Number of coiled tubing operating days [2]	**371**	304	561	**932**	765
Active coiled tubing units, end of period	**8**	7	8	**8**	7
Total coiled tubing units, end of period	**16**	16	16	**16**	16

[1] Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % and Revenue per operating day are non-IFRS financial ratios. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.
[2] An operating day is defined as any coiled tubing or fracturing work that is performed in a 24-hour period, exclusive of support equipment.
[3] Active horsepower denotes units active on client work sites. An additional 15-20% of this amount is required to accommodate equipment maintenance cycles.

SECOND QUARTER 2022 COMPARED TO SECOND QUARTER 2021

Revenue for the three months ended June 30, 2022 was $165.1 million compared to $73.2 million for the second quarter of 2021. Revenue improved due to a rise in utilization for both service lines as a result of an industry wide increase in activity. Fracturing operating days increased to 279 in second quarter of 2022 from 174 during second quarter of 2021, partially from the prior quarter's addition of a small low pressure spread, but primarily as result of additional pad work during the quarter. The focus on pad work during the quarter resulted in improved efficiencies and increased proppant pumped, ultimately driving an increase in revenue per day relative to the second quarter of 2021. Coiled tubing operating days increased to 371 in second quarter of 2022 from 304 during second quarter of 2021, while revenue per day had a slight increase of 13%.

Operating expenses scaled upwards with increased activity levels. Personnel related costs increased following adjustments to base and incentive pay to remain competitive in the current market and from the reinstatement of various benefits and allowances that were eliminated during 2020 to reduce costs. Inflationary pressures continued to be a factor in the current quarter with supply chain disruptions, commodity price appreciation, and increased industry activity resulting in costs escalating across all expense categories. The overhead and selling, general and administrative expenses (SG&A) structure has been scaled up to support increased field operations compared to the second quarter of 2021, however, the Company anticipates that it will continue to maintain a lean cost structure while adequately supporting the growth of the business.

Adjusted EBITDA for the second quarter of 2022 was $39.7 million (24% of revenue) versus $15.6 million (21% of revenue) in the second quarter of 2021. Adjusted EBITDA increased as a result of the improved operating environment enabling higher pricing and utilization partially offset by rising costs due to continued inflationary pressure. Q2 2021 benefited from $1.8 million received from the CEWS program.

Fracturing

Canadian fracturing revenue of $140.5 million for the three months ended June 30, 2022 increased by 154% from $55.3 million for the three months ended June 30, 2021. STEP operated five fracturing spreads with 215,000 HP during the second quarter of 2022, compared to four spreads and 200,000 HP operated during the second quarter of 2021. Fracturing operating days increased to 279 in the second quarter of 2022 from 174 during the second quarter of 2021, as strong industry fundamentals supported an increase in pad work during a quarter that is traditionally slower due to break up conditions. Revenue per day increased compared to the same period in 2021 as increased pad work generated higher efficiencies and the improved market environment enabled higher pricing.

Coiled Tubing

Canadian coiled tubing revenue of $24.6 million for the three months ended June 30, 2022 increased 38% from $17.8 million for the three months ended June 30, 2021. The service line operated eight coiled tubing units for 371 operating days during the second quarter of 2022 compared to seven units and 304 operating days in the comparable period of 2021. The increase in utilization followed improvement in drilling and completions activity and additional demand for ancillary services helped drive improved pricing during the quarter.

SECOND QUARTER 2022 COMPARED TO FIRST QUARTER 2022

Revenue for the three months ended June 30, 2022 of $165.1 million increased 13% from $146.8 million from the quarter ended March 31, 2022 due to an overall increase in operating efficiency coupled with pricing improvement. Strong commodity price fundamentals drove continued demand for the Company's services during a quarter that is traditionally slower due to break up conditions that limit the Company's ability to move equipment.

Canadian operations had Adjusted EBITDA of $39.7 million (24% of revenue) in the second quarter of 2022 compared to $31.9 million (22% of revenue) in the first quarter of 2022. Inflationary pressures continued to impact the industry in Q2 2022, with high commodity prices, supply chain interruptions and tight labour conditions combining to increase costs. STEP monitors inflation closely to ensure that bids and pricing reflect these cost increases and was able to work with clients to increase pricing to avoid margin erosion.

Fracturing

STEP operated five fracturing spreads with 215,000 HP during the second quarter of 2022, the same complement of active equipment as the first quarter of 2022. The strong industry fundamentals enabled STEP to enjoy high utilization on the larger crews that work in the gas focused areas of the basin during a period that is traditionally slower. Total operating days fell 29% on a quarter over quarter basis, however, revenue increased to $140.5 million, up 18% sequentially. STEP pumped 358 thousand tonnes of proppant in Q2 2022, up from 323 thousand tonnes in Q1 2022.

The pricing increases from the first quarter of 2022 took hold in the second quarter of 2022, and when combined with an increase in proppant pumped and improved efficiencies from operating on pad work, generated higher daily revenue.

Coiled Tubing

Coiled tubing operations operated eight coiled tubing units, generating $24.6 million in revenue over 371 operating days in the second quarter of 2022, compared to $27.8 million over 561 operating days in the first quarter of 2022. Pricing improved sequentially from Q1 2022, and revenue per day was higher on a sequential basis due to a change in job mix and additional demand for ancillary services.

SIX MONTHS ENDED JUNE 30, 2022 COMPARED TO SIX MONTHS ENDED JUNE 30, 2021

Revenue for the six months ended June 30, 2022 was $311.9 million compared to $182.5 million for the six months ended June 30, 2021. Revenue improved due to a rise in utilization and pricing for both service lines as a result of an industry wide increase in activity. Fracturing operating days increased to 674 for the first six months of 2022 from 454 during the same period of 2021, enabling the addition of a small low pressure fracturing spread in the first half of 2022, bringing the Canadian fracturing spread count to five. The Company's rates for fracturing services increased by 22% as a result of a more constructive pricing environment and inflationary pressures. Coiled tubing operating days increased to 932 for the first six months of 2022 from 765 during the comparable period of 2021, increasing the active unit count to eight from seven in 2021. Strong industry fundamentals enabled STEP to maintain activity levels on both product lines throughout the first six months of 2022 with minimal decline in utilization during break up.

The Company's operating expenses scaled upwards with increased activity levels. Personnel related costs increased following adjustments to base and incentive pay to remain competitive in the current market and reinstatement of various benefits and allowances that were eliminated during 2020 to reduce costs. Inflationary pressures were a factor during the first six months of 2022 with supply chain disruptions, commodity price appreciation, and increased industry activity resulting in costs escalating across all expense categories. The overhead and SG&A structure has been scaled up to support increased field operations compared to the second quarter of 2021, however, the Company anticipates that it will continue to maintain a lean cost structure while adequately supporting the growth of the business.

UNITED STATES FINANCIAL AND OPERATIONS REVIEW

STEP's U.S. business commenced operations in 2015 with coiled tubing services. STEP has a fleet of 13 coiled tubing units in the Permian and Eagle Ford basins in Texas, the Bakken shale in North Dakota, and the Uinta-Piceance and Niobrara-DJ basins in Colorado. STEP entered the U.S. fracturing business in April 2018. The U.S. fracturing business has 207,500 fracturing HP, of which 80,000 HP is Tier 4 diesel and 50,250 HP has direct injection dual-fuel capabilities. Fracturing primarily operates in the Permian and Eagle Ford basins in Texas. The Company deploys or idles coiled tubing units or fracturing horsepower as dictated by the market's ability to support targeted utilization and economic returns.

($000's except per day, days, units, proppant pumped and HP)	Three months ended			Six months ended	
	June 30, 2022	June 30, 2021	March 31, 2022	**June 30, 2022**	June 30, 2021
Revenue:					
Fracturing	**$ 81,574**	$ 19,036	$ 49,667	**$ 131,241**	$ 35,461
Coiled tubing	**26,317**	15,345	23,060	**49,377**	26,370
	107,891	34,381	72,727	**180,618**	61,831
Expenses:					
Operating expenses	**100,310**	40,218	68,127	**168,437**	78,246
Selling, general and administrative	**3,413**	1,546	2,904	**6,317**	2,953
Results from operating activities	**$ 4,168**	$ (7,383)	$ 1,696	**$ 5,864**	$ (19,368)
Add non-cash items:					
Depreciation	**15,406**	8,133	7,694	**23,100**	16,825
Share-based compensation – Cash settled	**750**	272	430	**1,180**	549
Share-based compensation – Equity settled	**-**	-	-	**-**	-
Adjusted EBITDA [(1)]	**$ 20,324**	$ 1,022	$ 9,820	**$ 30,144**	$ (1,994)
Adjusted EBITDA % [(1)]	**19%**	3%	14%	**17%**	(3%)
Sales mix (% of segment revenue)					
Fracturing	**76%**	55%	68%	**73%**	57%
Coiled tubing	**24%**	45%	32%	**27%**	43%
Fracturing services					
Fracturing revenue per operating day[(1)]	**$ 356,218**	$ 130,384	$ 225,759	**$ 292,296**	$ 126,646
Number of fracturing operating days [(2)]	**229**	146	220	**449**	280
Proppant pumped (tonnes)	**339,000**	191,000	278,000	**617,000**	383,000
Stages completed	**1,435**	816	1,122	**2,557**	1,725
Proppant pumped per stage	**236**	234	248	**241**	220
Horsepower ("HP")					
Active pumping HP, end of period	**165,000**	110,000	165,000	**165,000**	110,000
Total pumping HP, end of period [(3)]	**207,500**	207,500	207,500	**207,500**	207,500
Coiled tubing services					
Coiled tubing revenue per operating day[(1)]	**$ 48,649**	$ 36,363	$ 44,864	**$ 46,807**	$ 35,780
Number of coiled tubing operating days [(2)]	**542**	422	514	**1,056**	737
Active coiled tubing units, end of period	**8**	8	8	**8**	8
Total coiled tubing units, end of period	**13**	13	13	**13**	13

[(1)] Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % and Revenue per operating day are non-IFRS financial ratios. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

[(2)] An operating day is defined as any coiled tubing or fracturing work that is performed in a 24-hour period, exclusive of support equipment.

[(3)] Active horsepower denotes units active on client work sites. An additional 15-20% of this amount is required to accommodate equipment maintenance cycles.

SECOND QUARTER 2022 COMPARED TO SECOND QUARTER 2021

Revenue for the three months ended June 30, 2022 was $107.9 million compared to $34.4 million for the second quarter of 2021. U.S. operations realized improved pricing due to the strong industry fundamentals and an increase in utilization for both service lines as a result of the industry wide increase in activity. Operating days across the fracturing operations increased to 229 in the second quarter of 2022 from 146 days during the second quarter of 2021 due to the improved macro environment and as result of operating an additional fracturing spread in the current period. Revenue per day increased by 173% due to increased proppant supplied by STEP combined with improved pricing. Coiled tubing operating days increased to 542 in second quarter of 2022 from 422 during second quarter of 2021 while revenue per day increased by 34%.

U.S. operations continued the trend of improved performance and Adjusted EBITDA. Adjusted EBITDA was $20.3 million for the three months ended June 30, 2022, compared to an Adjusted EBITDA of $1.0 million for the three months ended June 30, 2021. The 19% Adjusted EBITDA margin was better than the comparable period in 2021 in part due to service providers in the U.S. continuing to maintain discipline in redeploying units that is enabling improved rates, resulting in meaningful margin improvements. Despite this discipline, rising inflation is leading to higher costs across all expense categories, preventing the full realization of the pricing improvements.

Fracturing

STEP operated three fracturing spreads with 165,000 HP during the second quarter of 2022, compared to two spreads and 110,000 HP operated during the second quarter of 2021. Operating days increased to 229 in the second quarter of 2022 from 146 days during the second quarter of 2021 as the improved market fundamentals supported operating an additional fracturing spread in the current period.

U.S. fracturing revenue of $81.6 million increased 329% from the same period in 2021 while revenue per day for the second quarter of 2022 increased by 173% over the same period in 2021. A shift in the Company’s client mix, resulting in increased proppant revenue, was a significant factor in the higher revenue per day in the second quarter of 2022 compared to the second quarter of 2021. However, the Company’s U.S. fracturing operations was also able to realize an increase in base operating rate over this same period.

Coiled Tubing

U.S. coiled tubing continued to build momentum during the second quarter of 2022 with revenue of $26.3 million, increasing from $15.3 million in the second quarter of 2021. STEP staffed eight coiled tubing units, which operated 542 days during the second quarter of 2022 compared to eight units and 422 days in the second quarter of 2021. The increased utilization was combined with increased revenue per day of $49 thousand, compared to $36 thousand in the same quarter of 2021; with improved rates and stronger activity is materializing in all operating regions. STEP’s strategic market presence and reputation for execution continues to help secure utilization and drive higher pricing in all regions.

SECOND QUARTER 2022 COMPARED TO FIRST QUARTER 2022

Revenue for the second quarter of 2022 increased $35.2 million to $107.9 million from $72.7 million in the first quarter of 2022 driven primarily from additional proppant revenue and price increases in fracturing operations. The U.S. market continued to tighten considerably from Q1 2022 to Q2 2022, leading to stronger pricing and continuing the shift in the supply narrative between service providers and E&P companies.

Adjusted EBITDA was $20.3 million (19% of revenue) for the second quarter of 2022 compared to $9.8 million (13% of revenue) for the first quarter of 2022 and continues the positive trend in the U.S. business. Utilization remains strong across both business lines and steady price increases have allowed for the continuous improvement of Adjusted EBITDA on a sequential basis despite ongoing inflationary pressures.

Fracturing

Improved demand and higher rates drove a shift in client and job mix that resulted in revenue of $81.6 million for U.S. fracturing services in Q2 2022 compared to $49.7 million in Q1 2022. While activity remained relatively flat at 229 operating days in the second quarter of 2022 compared to 220 in the first quarter of 2022, revenue per day increased to $356 thousand from $226

thousand due in part to an increase in proppant and chemicals supplied by STEP along with pricing improvements. A portion of the pricing improvement in Q2 2022 was in response to inflation which limited margin growth.

Coiled Tubing

Coiled tubing operations continued to operate eight coiled tubing units in the U.S., with 542 operating days, generating $26.3 million in revenue in the second quarter of 2022 compared to $23.1 million over 514 operating days in the first quarter of 2022; realizing modest improvements in both utilization and pricing. While inflationary pressures continue to impact margin growth in these operations, recent pricing momentum has started to generate meaningful margins improvement. The pricing power for these services inflect in a similar manner that was previously seen when fracturing services pricing improved, as demand for coiled tubing services combined with a limited labour pool has allowed for pricing improvement beyond inflationary adjustments.

SIX MONTHS ENDED JUNE 30, 2022 COMPARED TO SIX MONTHS ENDED JUNE 30, 2021

Revenue for the six months ended June 30, 2022 was $180.7 million compared to $61.8 million for the same period in 2021. U.S. operations realized an increase in utilization for both service lines as a result of the industry wide increase in activity and improved pricing due to the strong industry fundamentals. Operating days across the fracturing operations increased to 449 in the first six month of 2022 from 280 days during the same period of 2021 due to the improved macro environment and as result of operating an additional fracturing spread in the current period. Revenue per day increased by 131% primarily due to increased proppant supplied by STEP combined with improved pricing. Coiled tubing operating days increased to 1,056 in the first six month of 2022 from 737 during the same period of 2021 while revenue per day increased by 31%. U.S. operations continued the trend of improved performance and Adjusted EBITDA. Adjusted EBITDA was $30.1 million for the six months ended June 30, 2022, compared to an Adjusted EBITDA loss of $2.0 million for the six months ended June 30, 2021.

The Company's operating expenses scaled upwards with increased activity levels and inflationary pressures were a factor during the first six months of 2022 with supply chain disruptions, commodity price appreciation, and increased industry activity resulting in costs escalating across all expense categories. Personnel related costs increased following adjustments to base and incentive pay to remain competitive in the current market and the reinstatement of benefits that were eliminated during 2020 to reduce costs.

CORPORATE FINANCIAL REVIEW

The Company's corporate activities are separated from Canadian and U.S. operations. Corporate operating expenses include expenses related to asset reliability and optimization teams, as well as general and administrative costs which include costs associated with the executive team, the Board of Directors, public company costs, and other activities that benefit Canadian and U.S. operating segments collectively.

($000's)	Three months ended			Six months ended	
	June 30, 2022	June 30, 2021	March 31, 2022	**June 30, 2022**	June 30, 2021
Expenses:					
Operating expenses	**$ 795**	$ 278	$ 571	**$ 1,366**	$ 491
General and administrative	**11,828**	6,771	8,722	**20,550**	11,974
Results from operating activities	**$ (12,623)**	$ (7,049)	$ (9,293)	**$ (21,916)**	$ (12,465)
Add non-cash items:					
Depreciation	**148**	155	138	**286**	327
Share-based compensation – Cash settled	**7,292**	1,734	4,192	**11,484**	3,297
Share-based compensation – Equity settled	**400**	181	265	**665**	1,309
Adjusted EBITDA [1]	**$ (4,783)**	$ (4,979)	$ (4,698)	**$ (9,481)**	$ (7,532)
Adjusted EBITDA % [1,2]	**(2%)**	(5%)	(2%)	**(2%)**	(3%)

[1] Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % is a non-IFRS financial ratio. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

SECOND QUARTER 2022 COMPARED TO SECOND QUARTER 2021

For the three months ended June 30, 2022 expenses from corporate activities were $12.6 million compared to $7.0 million for the same period in 2021. Cash settled share-based compensation was higher in the second quarter of 2022 as the share price increased 67% or $1.88, from March 31, 2022 to June 30, 2022 compared to a share price increase of $0.51 during the same period of the prior year, resulting in higher expenses from the mark to market adjustment in the current period. Additionally, payroll costs rose as the Company increased total rewards to retain and attract talented professionals in an increasingly competitive labour market. STEP recognized $0.1 million in CEWS benefits in Q2 2021, which reduced total expenses.

SECOND QUARTER 2022 COMPARED TO FIRST QUARTER 2022

Expenses from corporate activities were $12.6 million for the second quarter of 2022 compared to $9.3 million for the first quarter of 2022, an increase of $3.3 million. The mark to market adjustments on cash settled share-based compensation were a significant factor in the second quarter of 2022, similar to the first quarter of 2022. Cash settled share-based compensation increased to $7.3 million in the second quarter of 2022 compared to $4.2 million in the first quarter of 2022 as the share price increased 67%, or $1.88, during the second quarter compared to a share price increase of $1.19 during the first quarter. STEP is committed to providing a competitive total reward package for its professionals to recognize the contribution they have made to the improving results.

SIX MONTHS ENDED JUNE 30, 2022 COMPARED TO SIX MONTHS ENDED JUNE 30, 2021

For the six months ended June 30, 2022 expenses from corporate activities were $21.9 million compared to $12.5 million for the same period in 2021. Cash settled share-based compensation was higher in the first six months of 2022 as the share price increased $3.07 from December 31, 2021 to June 30, 2022 compared to a share price increase of $1.05 during the same period of the prior year, resulting in higher expenses from the mark to market adjustment in the current period. Additionally, payroll costs rose as the Company increased total rewards to retain and attract talented professionals in an increasingly competitive labour market. STEP recognized $0.3 million in CEWS benefits for the six months ended June 30, 2021, which reduced total expenses.

CONSOLIDATED FINANCIAL REVIEW

($000's except per share amounts)	Three months ended			Six months ended	
	June 30, 2022	June 30, 2021	March 31, 2022	**June 30, 2022**	June 30, 2021
Revenue	**$ 273,000**	$ 107,546	$ 219,539	**$ 492,539**	$ 244,358
Operating expenses	**234,789**	106,439	190,063	**424,852**	240,808
Gross profit	**38,211**	1,107	29,476	**67,687**	3,550
Selling, general and administrative	**19,191**	10,095	14,950	**34,141**	18,470
Results from operating activities	**19,020**	(8,988)	14,526	**33,546**	(14,920)
Finance costs	**2,904**	3,433	3,317	**6,221**	6,520
Foreign exchange (gain) loss	**(231)**	(38)	180	**(51)**	(48)
Gain on disposal of property and equipment	**(832)**	(554)	(818)	**(1,650)**	(185)
Amortization of intangible assets	**12**	112	114	**126**	227
Impairment reversal	**(32,708)**	-	-	**(32,708)**	-
Net income (loss) before income tax	**49,875**	(11,941)	11,733	**61,608**	(21,434)
Income tax expense (recovery)	**11,811**	(1,359)	2,560	**14,371**	(2,908)
Net income (loss)	**38,064**	(10,582)	9,173	**47,237**	(18,526)
Other comprehensive income (loss)	**4,980**	(2,354)	(1,844)	**3,136**	(4,905)
Total comprehensive income (loss)	**$ 43,044**	$ (12,936)	$ 7,329	**$ 50,373**	$ (23,431)
Income (loss) per share – basic	**$ 0.557**	$ (0.156)	$ 0.135	**$ 0.692**	$ (0.273)
Income (loss) per share – diluted	**$ 0.535**	$ (0.156)	$ 0.132	**$ 0.672**	$ (0.273)
Adjusted EBITDA [(1)]	**$ 55,251**	$ 11,676	$ 36,990	**$ 92,241**	$ 27,636
Adjusted EBITDA % [(1)]	**20%**	11%	17%	**19%**	11%

[(1)] Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % is a non-IFRS financial ratio. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

OTHER ITEMS

Depreciation and amortization

For the three and six months ended June 30, 2022, depreciation and amortization expense was $26.7 million and $43.8 million, respectively, up from $18.2 million and $36.4 million in the same periods of 2021. The Company incurred accelerated depreciation expense in the quarter, following the determination that the useful life of certain assets had been diminished due to changes in technology and operating conditions.

Finance costs

STEP's finance costs were $2.9 million and $6.2 million for the three and six months ended June 30, 2022 compared to $3.4 million and $6.5 million for the three and six months ended June 30, 2021. The effective borrowing rate for the three and six months ended June 30, 2022 was 4.27% and 4.78%, respectively, compared to 4.95% and 4.70%, respectively, for the three and six months ended June 30, 2021. Finance costs decreased in the second quarter of 2022 compared to the same period in 2021 due to a reduction in average debt levels in the comparable periods.

Foreign exchange gains and losses

STEP recorded $0.2 million and $0.1 million in foreign exchange gains for the three and six months ended June 30, 2022 compared to a nominal gains for the three and six months ended June 30, 2021. Foreign exchange gains and losses arise from the translation of assets, including temporary loans to U.S. operations, or liabilities that are held in U.S. dollars by Canadian operations.

Gains or losses on disposal of property and equipment

The Company recorded gains on the disposal of property and equipment of $0.8 million and $1.7 million for the three and six months ended June 30, 2022, respectively, compared to gains of $0.6 million and $0.2 million for the same periods in 2021. Gains and losses relate primarily to the disposal of light duty vehicles upon expiry of lease terms and from disposal of non-core assets that were acquired through bulk acquisitions of fracturing assets in prior years.

Impairment Reversal

The Company recorded an impairment reversal of $32.7 million during the second quarter of 2022, which did not occur in the prior period. Due to the improved results of the Canadian Fracturing CGU and the overall favourable future outlook for the industry, an impairment test was performed on the Canadian Fracturing CGU and the Company reversed the maximum amount of the 2020 impairment, net of depreciation that otherwise would have been expensed.

Share-based compensation

For the three and six months ended June 30, 2022, STEP recorded share-based compensation expense of $9.6 million and $15.1 million, respectively, compared to $2.6 million and $6.4 million in the same periods of 2021. The increase year over year is primarily due to increases in the fair value of cash settled instruments during the current period compared to the same period in 2021.

Income taxes

STEP recorded a total income tax expense of $11.8 million and $14.4 million for the three and six months ended June 30, 2022. This compares to a total income tax recovery of $(1.4) million and $(2.9) million for the comparable periods of 2021. The transition from a net loss to net income resulted in deferred income tax expense during the current period compared to deferred income tax recovery in the comparable period of 2021.

CAPITAL EXPENDITURES

($000's)	Three months ended			Six months ended	
	June 30, 2022	June 30, 2021	March 31, 2022	**June 30, 2022**	June 30, 2021
Capital program additions					
Sustaining capital	**$ 10,512**	$ 7,119	$ 8,912	**$ 19,424**	$ 14,525
Optimization capital	**7,870**	2,886	2,802	**10,672**	3,353
Growth capital	**-**	-	-	**-**	-
Total capital program additions	**18,382**	10,005	11,714	**30,096**	17,878
Right-of-use asset additions	**5,611**	717	5,287	**10,898**	2,952
Total capital expenditures	**$ 23,993**	$ 10,722	$ 17,001	**$ 40,994**	$ 20,830
Capital was incurred for:					
Canada	**$ 14,820**	$ 5,253	$ 10,743	**$ 25,563**	$ 11,360
United States	**$ 9,173**	$ 5,469	$ 6,258	**$ 15,431**	$ 9,470

Capital expenditures are classified as either growth, optimization or sustaining capital. Growth and optimization capital are capital expenditures that acquire additional revenue generating assets or increase the revenue generating profile of an asset. Sustaining capital refers to capital expenditures required to maintain ongoing business operations. The determination of what constitutes sustaining capital expenditures versus growth capital or optimization capital involves judgment by management.

STEP funds capital expenditures from a combination of cash, cash provided by operating activities, and available credit facilities. STEP also manages its capital expenditures based on the actual and anticipated level of activity. The capital expenditures for the three months ended June 30, 2022 was $24.0 million, an increase from $10.7 million for the three months ended June 30, 2021. The increase in capital expenditures was the result of higher activity compared to the same period in 2021.

LIQUIDITY AND CAPITAL RESOURCES

($000's)	Three months ended			Six months ended	
	June 30, 2022	June 30, 2021	March 31, 2022	June 30, 2022	2021
Net cash provided by (used in)					
Operating activities	$ **34,060**	$ 19,697	$ (16,843)	$ **17,217**	$ 31,626
Investing activities	**(10,661)**	(10,765)	(8,741)	**(19,402)**	(16,978)
Financing activities	**(27,937)**	(15,349)	28,565	**628**	(12,899)
Impact of foreign exchange on cash	**79**	(64)	(42)	**37**	(41)
Increase (decrease) in cash and cash equivalents	$ **(4,459)**	$ (6,481)	$ 2,939	$ **(1,520)**	$ 1,708
Opening cash balance	**6,637**	9,455	3,698	**3,698**	1,266
Ending cash balance	$ **2,178**	$ 2,974	$ 6,637	$ **2,178**	$ 2,974

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Net cash provided by operating activities totaled $34.1 million and $17.2 million for the three and six months ended June 30, 2022 compared to net cash provided of $19.7 million and $31.6 million, respectively, in the same periods of 2021. Strong financial results in Q2 2022 generated strong operating cash flows and Working Capital held steady following a significant build of Working Capital in Q1 2022.

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

Net cash used in investing activities totaled $10.7 million and $19.4 million for the three and six months ended June 30, 2022, compared to net cash of $10.8 million and $17.0 million, respectively, used in the comparable periods of 2021. The increase was due to increased capital spend as improvements in activity drove sustaining capital spending and an improved outlook allowed for capital investment in optimization projects.

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

For the three and six months ended June 30, 2022, net cash used by financing activities totaled $(27.9) million and net cash provided by financing activities totaled $0.6 million respectively, compared to net cash used of $(15.3) million and $(12.9) for the same periods in 2021. Working Capital build through the six months ended June 30, 2022 was offset by an increase in net debt through the same period. Working Capital held steady and the strong operating cash flows in the three months ended June 30, 2022 allowed the Company to reduce its net debt through the same period.

WORKING CAPITAL AND CASH REQUIREMENTS

As at June 30, 2022, STEP had Working Capital of $54.4 million, compared to Working Capital of $3.9 million as at December 31, 2021. Trade and other receivables increased from $86.6 million at December 31, 2021 to $196.1 million at June 30, 2022, due to the significant increases in activity in both Canada and the U.S. Trade and other payables increased to $141.8 million as at June 30, 2022 compared to $95.2 million as at December 31, 2021, due to an increase in activity, capital program spending, and management of loans and borrowings in relation to collection of trade receivables. At June 30, 2022, the Company's Working Capital and available Credit Facilities (as defined in *Capital Management – Debt* below) exceed the level required to manage timing differences between cash collections and cash payments. Availability of the Credit Facilities is dependent on compliance with certain covenants. As at June 30, 2022, the Company is in compliance with all terms of its Credit Facilities and based on currently available information, the Company anticipates to maintain compliance with the covenants during the next twelve months.

CONTRACTUAL OBLIGATIONS, COMMITMENTS, AND PROVISIONS

($000s)	2022	2023	2024	2025	2026	Thereafter	Total
Trade and other payables	$ 141,838	$ -	$ -	$ -	$ -	$ -	**$ 141,838**
Operating commitments [5,6]	587	1,141	227	162	31	-	**2,148**
Short-term and low value lease obligations [6]	46	47	-	-	-	-	**93**
Lease obligations [6,7]	5,261	9,424	5,847	1,541	1,000	-	**23,073**
Loans and borrowings [8]	18,623	191,252	-	-	-	-	**209,875**
Capital expenditure commitments [9]	21,454	-	-	-	-	-	**21,454**
Total commitments	$ 187,809	$ 201,864	$ 6,074	$ 1,703	$ 1,031	$ -	**$ 398,481**

[5] The Company leases certain office and operating facilities that contain an operating expense commitment. The lease terms range from one to seven years with an option to renew upon expiry.
[6] Balance includes U.S. obligations at a forecast exchange rate of 1 USD = 1.29 CAD.
[7] Balance includes interest portion of lease obligations.
[8] Loans and borrowing balances are based on the credit facility in place at June 30, 2022. Included are the estimated interest and principal repayments, based on current amounts outstanding and current interest rates at June 30, 2022. Both are variable in nature.
[9] A capital expenditure commitment is defined as a purchase agreement between the Company and the supplier as it relates to the Company's capital program.

CAPITAL MANAGEMENT

($000s)	June 30, 2022	December 31, 2021
Shareholders' equity	**$ 228,828**	$ 177,442
Lease obligations	**21,349**	15,373
Loans and borrowings	**195,963**	189,957
Total capital	**$ 446,140**	$ 382,772

The Company's objectives when managing its capital structure are to maintain a balance between debt and equity to withstand industry and seasonal volatility, maintain investor, creditor, and market confidence and to sustain future development of the business. The Company considers the items included in shareholders' equity, loans and borrowings and leases as capital. Debt includes the current and long-term portions of bank indebtedness and obligations under leases.

Equity

As at August 10, 2022 there were 68,768,853 common shares in the capital of STEP ("Common Shares") issued and outstanding.

Debt

On July 12, 2022, the Company entered into a Third Amended and Restated Credit Agreement to amend and extend its Credit Facilities (as defined below); please refer to the *Subsequent Event* section below.

As at June 30, 2022, the Company's credit facilities with a syndicate of lenders were comprised of a Canadian $200.0 million term loan facility, a Canadian $30.0 million revolving facility, a Canadian $10.0 million operating facility and a U.S. $15.0 million operating facility (the "Credit Facilities"). The Credit Facilities included a general security agreement, providing a security interest over all present and after acquired personal property of the Company and all its subsidiaries including mortgages on certain properties. Any current and future leases that would have been accounted for as an operating lease on December 31, 2018 will continue to be recognized as operating leases for purposes of calculating financial covenants. The maturity date of the Credit Facilities was July 30, 2023.

Scheduled quarterly repayments of the term loan facility of $7.0 million per quarter commenced on March 31, 2022. The balance is due on the maturity date. The sum of any amounts outstanding under the revolving facility, the Canadian operating facility and the U.S. operating facility may not exceed the Borrowing Base. The Borrowing Base is defined as the aggregate of: (1) 85% of U.S. and Canadian based investment grade eligible accounts receivable under 120 days from the invoice date, (2) 75% of U.S. and Canadian based non-investment grade eligible accounts receivable under 90 days from the invoice date and (3) 50% of U.S. and Canadian based eligible inventory subject to a maximum of $10 million Canadian less priority payables. At June 30, 2022, the Company's calculated borrowing base was $141.5 million compared to $59.0 million as at December 31, 2021. This borrowing base is subject to the limits of the Credit Facilities. Mandatory repayments are required anytime the

amount outstanding under the revolving facility and Canadian and U.S. operating facilities exceeds the borrowing base. As amended August 3, 2021, the Credit Facilities include certain financial and non-financial covenants, including:

1. An Interest Coverage Ratio. This refers to the ratio of Adjusted Bank EBITDA to interest expense for the preceding twelve months. Interest expense includes interest charges, capitalized interest, interest on lease obligations, fees payable in respect of letters of credit and letters of guarantee, and discounts incurred and fees payable in respect of bankers' acceptance and LIBOR advances. Interest on lease obligations for current and future leases, which would have been accounted for as an operating lease on December 31, 2018 is not included in interest expense for purposes of calculating financial covenants. The Company is required to have an interest coverage ratio of 3.00:1.00. At June 30, 2022 the Company had an interest coverage ratio of 9.72:1.00.

2. A Funded Debt to Adjusted Bank EBITDA ratio. This refers to total outstanding interest-bearing debt including lease obligations and letters of credit less cash and cash equivalents held with approved financial institutions to Adjusted Bank EBITDA. Adjusted Bank EBITDA means the Net Income (Loss) on a consolidated basis plus or minus: interest expense, the provision for income taxes, depreciation, amortization, deferred income tax expense or recovery, gains or losses on the sale of assets, allowance for doubtful account provisions, non-cash impairment charges, unrealized foreign exchange gains or losses and marking to market hedging instruments, discretionary management bonuses, severance and share based compensation, and any non-typical and non-recurring transactions. Lease expense for current and future finance leases, which would have been accounted for as an operating lease at December 31, 2018, is deducted from net income (loss) when calculating Adjusted Bank EBITDA. The ratio is calculated quarterly on the last day of each fiscal quarter on a four-quarter rolling basis. The company is required to have Funded Debt to Adjusted Bank EBITDA ratio of not more than 3.00:1.00. At June 30, 2022, the Company had a Funded Debt to Adjusted Bank EBITDA ratio of 1.54:1.00.

The Company complied with all financial and non-financial covenants under its Credit Facilities as at June 30, 2022.

Interest is payable monthly, at the lead syndicate bank's prime lending rate plus 200 basis points to 500 basis points depending on certain financial ratios of the Company. The effective borrowing rate for loans and borrowings for the three and six months ended June 30, 2022 was 4.27% and 4.78% respectively (three and six months ended June 30, 2021 – 4.95% and 4.70% respectively). The total amount of Credit Facilities outstanding on June 30, 2022 is as follows:

($000s) As at		**June 30, 2022**		December 31, 2021
Term loan facility	**$**	**175,300**	$	189,300
Canadian and U.S. operating lines		**21,085**		1,283
Deferred financing costs		**(422)**		(626)
Total loans and borrowings	**$**	**195,963**	$	189,957
Less: current portion of term loan facility		**(27,950)**		(27,950)
Long term portion of loans and borrowings	**$**	**168,013**	$	162,007

The following table displays the movements in loans and borrowings during the six months ended June 30, 2022:

($000s)		
Balance at January 1, 2022	$	189,957
Issuance of loans and borrowings		5,034
Accretion of deferred financing costs		207
Interest expense		463
Effect of exchange rate changes		302
Balance at June 30, 2022	**$**	**195,963**

SUBSEQUENT EVENT

On July 12, 2022, STEP entered into a Third Amended and Restated Credit Agreement with a syndicate of Canadian financial institutions to amend and extend its Credit Facilities. The principal terms of the Third Amended and Restated Credit Agreement include:

- a CAD $215 million revolving facility, a CAD $15 million operating facility, a USD $15 million operating facility; and
- a three-year term with a maturity date of July 12, 2025.

Under the Third Amended and Restated Credit Agreement, the financial covenants are as follows:

- *Funded Debt to EBITDA Ratio* of not more than 3.00:1.00; and
- *Interest Coverage Ratio* of at least 3.00:1.00.

Additional information about the Third Amended and Restated Credit Agreement is available on STEP's profile on SEDAR at www.sedar.com.

IMPAIRMENT REVERSAL

As required by IAS 36, the Company assesses at each reporting period whether there are any internal and external indicators that would indicate whether any assets or cash generating units (CGUs) are impaired or whether any previously recognized impairment losses should be reversed because of a change in the estimates used to determine the impairment loss. The maximum amount of an impairment reversal allowed is the amount necessary to restore the assets of the CGU to their pre-impairment carrying amounts less subsequent depreciation or amortization that would have been recognized if the impairment of assets had not occurred.

On June 30, 2022, as a result of improved results and due to an improved future outlook for the Canadian Fracturing CGU, the Company conducted an impairment test which resulted in the full recovery of 2020 impairment, net of depreciation.

The recoverable amount of the CGU was determined using the value in use method, based on multi-year discounted cashflows to be generated from continuing operations. Cash flow assumptions were based on a combination of expected future results, including management's best estimates of asset utilization, pricing for available equipment, costs to maintain that equipment and a post-tax discount rate of 14.7% (pre-tax 19.1%). Discount rates were calculated using the Company's weighted-average cost of capital adjusted for uncertainties in forecasting. A terminal growth rate of 2.0% was applied for all cash flows beyond 2027.

The Company reversed the maximum amount of the 2020 impairment allowed under IAS 36, net of depreciation that otherwise would have been expensed, for a total reversal of $32.7M in the Canadian Fracturing CGU at June 30, 2022. A change in the pre and post discount rate of 1% would not impact that amount of impairment reversed at June 30, 2022.

Assumptions that are valid at the time of preparing the impairment test may change significantly when new information becomes available. The Company will continue to monitor and update its assumptions and estimates with respect to impairment on an ongoing basis.

LITIGATION

Periodically, the Company may become involved in, named as a party to, or be the subject of various legal proceedings which are usually related to normal operational or labor issues. The results of such legal proceedings or related matters cannot be determined with certainty. The Company's assessment of the likely outcome of such matters is based on input from internal examination of the facts of the case and advice from external legal advisors, which is based on their judgment of a number of factors including the applicable legal framework and precedents, relevant financial and operational information, and other evidence and facts specific to the matter as known at the time of the assessment. The Company makes appropriate provisions based on such assessments.

SELECTED QUARTERLY INFORMATION

STEP's quarterly financial performance is affected by the seasonality [10] of the business in Canada, assets deployed, asset utilization, pricing, changes in STEP's clients' capital programs, foreign exchange rates, product costs, and other significant events impacting operations [11].

Quarterly Results Summary [2] ($000's, except per share amounts)	**Q2 2022**	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Revenue								
Canadian Operations	**165,109**	146,812	91,458	83,546	73,165	109,362	40,973	44,849
United States Operations	**107,892**	72,727	67,258	49,689	34,381	27,450	30,595	17,514
	273,000	219,539	158,716	133,235	107,546	136,812	71,568	62,363
Net income (loss) attributable to shareholders	**38,064**	9,173	(6,212)	(3,388)	(10,582)	(7,944)	(17,045)	(9,762)
Adjusted EBITDA [1]								
Canadian Operations	**39,710**	31,868	13,591	17,307	15,633	21,531	5,542	17,188
United States Operations	**20,324**	9,820	8,012	4,220	1,022	(3,017)	(1,398)	(4,799)
Corporate	**(4,783)**	(4,698)	(4,263)	(3,539)	(4,979)	(2,554)	(1,697)	(3,291)
	55,251	36,990	17,340	17,988	11,676	15,960	2,447	9,098
Capital expenditures [12]								
Canadian Operations	**14,820**	10,743	6,886	4,216	5,253	6,107	2,913	1,285
United States Operations	**9,173**	6,258	10,404	5,293	5,469	4,001	1,010	64
	23,993	17,001	17,290	9,509	10,722	10,108	3,923	1,349
Per Common Share								
Net income (loss) – basic	**0.557**	0.135	(0.091)	(0.050)	(0.156)	(0.117)	(0.252)	(0.145)
Net income (loss) – diluted	**0.535**	0.132	(0.091)	(0.050)	(0.156)	(0.117)	(0.252)	(0.147)
Adjusted EBITDA [3] – basic	**0.809**	0.542	0.255	0.264	0.172	0.236	0.036	0.135
Adjusted EBITDA [3] – diluted	**0.777**	0.530	0.255	0.264	0.172	0.236	0.036	0.137
Canada								
Exit active fracturing spreads	**5**	5	4	4	4	4	3	3
Exit active HP (000's)	**215**	215	200	200	200	200	150	150
Total HP (000's)	**283**	283	283	283	283	283	283	283
Exit active coiled tubing units	**8**	8	7	7	7	7	5	5
Total coiled tubing units	**16**	16	16	16	16	16	16	16
United States								
Exit active fracturing spreads	**3**	3	3	3	2	2	2	1
Exit active HP (000's)	**165**	165	165	165	110	110	110	50
Total HP (000's)	**208**	208	208	208	208	208	208	208
Exit active coiled tubing units	**8**	8	8	8	8	7	6	5
Total coiled tubing units	**13**	13	13	13	13	13	13	13

(1) Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % is a non-IFRS financial ratio. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

(3) Active horsepower denotes units active on client work sites. An additional 15-20% of this amount is required to accommodate equipment maintenance cycles

(10) STEP's business is seasonal with the periods of greatest activity in Canada being in the second, third and fourth quarters. The U.S. is generally not affected by seasonality.

(11) Totals may not add due to rounding.

(12) Capital expenditures include amounts added in respect of finance right-of-use assets.

SECOND QUARTER – 2022

Q2 2022 saw strong demand from clients in all regions as strong commodity prices provided incentive for E&P companies to expand their production. The increased demand provided a more constructive pricing environment, leading to better returns for STEP in Canada and the U.S., and delivering the Company's best quarterly revenue and adjusted EBITDA results. The strengthening outlook resulted in a $32.7 million reversal of the general impairment taken in Q1 2020. The record results and impairment reversal resulted in the second consecutive quarter of net income.

FIRST QUARTER – 2022

Q1 2022 saw the continuation of rising commodity prices, exacerbated by the Russian invasion of Ukraine. The higher prices increased demand from clients in all regions. These conditions resulted in a continuation of the sequential improvement in both the Canadian and the U.S. operations. The improved activity and rates resulted in positive income for the second time since Q3 2018 and the best first quarter revenue in STEP's history.

FOURTH QUARTER – 2021

Q4 2021 saw commodity prices rise to multi-year highs, further increasing activity from clients in all regions. The Company continued to see meaningful increases in the contributions to the consolidated results from its U.S. operations as the tightening market resulted in increased utilization and rates. The Company did not recognize any benefits from the CEWS program in Q4.

THIRD QUARTER – 2021

Q3 2021 saw commodity prices continue to rise, leading to increased activity from clients, particularly in the U.S. operations resulting in meaningful increases in the contributions to the consolidated results. The Company recognized $1.1 million in benefits from the CEWS program.

SECOND QUARTER – 2021

Q2 2021 built on the momentum from the prior period with demand for commodities increasing, driving demand for our services leading to a 165% increase in revenue compared to the same period in the prior year with significant improvements to Adjusted EBITDA. The Company recognized $1.9 million in benefits from the CEWS program.

FIRST QUARTER – 2021

Q1 2021 saw signs of economic recovery as COVID-19 pandemic measures eased and vaccinations were distributed globally resulting in increased economic activity and mobility. While this resulted in improved commodity pricing and increased client activity, the improvements were not at pre-pandemic levels. The Company recognized $3.8 million in benefits from the CEWS program.

FOURTH QUARTER – 2020

Q4 2020 saw increased optimism from clients as commodity prices began to stabilize resulting in improving revenue for STEP. In anticipation of a busier 2021, the Company spent approximately $2.5 million on the reactivation of equipment. The Company recognized $4.1 million in benefits from the CEWS program.

THIRD QUARTER – 2020

Q3 2020 saw commodity prices stabilize relative to earlier periods of volatility, but uncertainty prevented clients from restarting their drilling and completions programs which kept the Company's revenues suppressed. The Company continued to manage costs effectively but incurred $0.4 million in severance costs. The Company recognized $4.5 million in benefits from the CEWS program. With continued uncertainty due to commodity demand reduction, STEP recorded an additional $1.0 million in bad debt expenses.

FINANCIAL INSTRUMENTS

Financial instruments included in the Company's consolidated balance sheets are cash and cash equivalents, trade and other receivables, trade and other payables and loans and borrowings.

FAIR VALUES

The carrying values of cash and cash equivalents, trade and other receivables and trade and other payables, approximate their fair value due to the relatively short periods to maturity of the instruments. Loans and borrowings utilize floating rates and therefore fair market value approximates carrying value.

CREDIT RISK

Credit risk is the risk that a counterparty to a financial asset will not discharge its obligations, resulting in a financial loss to the Company. The majority of the Company's accounts receivable are with clients in the oil and natural gas industry and are subject to normal industry credit risks that include fluctuations in oil and natural gas prices and the ability to secure adequate debt or equity financing. The Company's clients are subject to an internal credit review, together with ongoing monitoring of the amount and age of balances to minimize the risk of non-payment. The carrying amount of accounts receivable reflects the maximum credit exposure on this balance and management's assessment of the credit risk associated with its clients.

The Company measures potential loss exposures on trade and other receivables at an amount equal to lifetime expected credit losses. At every point after the initial recognition, there is at least some risk of default. To assess this risk, the Company considers quantitative and qualitative information based on the Company's historical experience and forward-looking information. Factors considered include customer payment history, customer credit ratings, customer cash flows, industry trends, and commodity pricing forecasts. The Company assumes that the credit risk on a financial asset increases significantly the longer it is outstanding. The Company had no write-offs of allowance for doubtful accounts during the period ended June 30, 2022.

INTEREST RATE RISK

The Company is exposed to interest rate risk on its floating rate bank indebtedness. Based on the average outstanding consolidated debt, a 1.0% change in the bankers' prime rate would result in a $0.5 million for the three and six months ended June 30, 2022 (three and six month ended June 30, 2021 - $0.5 million and $1.1 million, respectively). Based on the average outstanding U.S. dollar denominated debt, a 1.0% change in the bankers' prime rate and a change in foreign exchange rates by $0.10, would result in a $0.1 million increase or decrease in interest expense for the three and six months ended June 30, 2022 (three and six months ended June 30, 2021 - $nil).

FOREIGN CURRENCY RISK

As the Company operates in both Canada and the U.S., fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar can have an impact on the operating results and the future cash flows of the Company's financial assets and liabilities. The Canadian segment is exposed to foreign exchange risk on U.S. dollar denominated purchases made in the normal course of business and debt held in U.S. dollars. The Company manages risk to foreign currency exposure by monitoring financial assets and liabilities denominated in U.S. dollars and exchange rates on an ongoing basis.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at June 30, 2022.

NON-IFRS MEASURES AND RATIOS

This MD&A includes terms and performance measures commonly used in the oilfield services industry that are not defined under IFRS. The terms presented are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These non-IFRS measures have no standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The non-IFRS measures should be read in conjunction with the Company's Quarterly Financial Statements and Annual Financial Statements and the accompanying notes thereto.

"Adjusted EBITDA" is a financial measure not presented in accordance with IFRS and is equal to net (loss) income before finance costs, depreciation and amortization, (gain) loss on disposal of property and equipment, current and deferred income tax provisions and recoveries, equity and cash settled share-based compensation, transaction costs, foreign exchange forward contract (gain) loss, foreign exchange (gain) loss, and impairment losses. "Adjusted EBITDA %" is a non-IFRS ratio and is calculated as Adjusted EBITDA divided by revenue. Adjusted EBITDA and Adjusted EBITDA % are presented because they are widely used by the investment community as they provide an indication of the results generated by the Company's normal course business activities prior to considering how the activities are financed and the results are taxed. The Company uses Adjusted EBITDA and Adjusted EBITDA % internally to evaluate operating and segment performance, because management believes they provide better comparability between periods. The following table presents a reconciliation of the non-IFRS financial measure of Adjusted EBITDA to the IFRS financial measure of net income (loss).

($000s except percentages and per share amounts)	Three months ended			Six months ended	
	June 30, 2022	June 30, 2021	March 31, 2022	**June 30, 2022**	June 30, 2021
Net income (loss)	**$ 38,064**	$ (10,582)	$ 9,173	**$ 47,237**	$ (18,526)
Add (deduct):					
Depreciation and amortization	**26,690**	18,192	17,072	**43,762**	36,410
Gain on disposal of equipment	**(832)**	(554)	(818)	**(1,650)**	(185)
Finance costs	**2,904**	3,433	3,317	**6,221**	6,520
Income tax expense (recovery)	**11,811**	(1,359)	2,560	**14,371**	(2,908)
Share-based compensation – Cash settled	**8,880**	2,274	5,166	**14,046**	4,475
Share-based compensation – Equity settled	**673**	310	340	**1,013**	1,898
Foreign exchange (gain) loss	**(231)**	(38)	180	**(51)**	(48)
Impairment reversal	**(32,708)**	-	-	**(32,708)**	-
Adjusted EBITDA	**$ 55,251**	$ 11,676	$ 36,990	**$ 92,241**	$ 27,636
Adjusted EBITDA %	**20%**	11%	17%	**19%**	11%

"Free Cash Flow" is a financial measure not presented in accordance with IFRS and is equal to net cash provided by operating activities adjusted for changes in non-cash Working Capital from operating activities, sustaining capital expenditures, term loan principal repayments and lease payments (net of sublease receipts). The Company may deduct or include additional items in its calculation of Free Cash Flow that are unusual, non-recurring or non-operating in nature. Free Cash Flow is presented as this measure is widely used in the investment community as an indication of the level of cash flow generated by ongoing operations. Management uses Free Cash Flow to evaluate the adequacy of internally generated cash flows to manage debt levels, invest in the growth of the business or return capital to shareholders. The following table presents a reconciliation of the non-IFRS financial measure of Free Cash Flow to the IFRS financial measure of net cash provided by operating activities.

($000s except percentages and per share amounts)	Three months ended			Six months ended	
	June 30, 2022	June 30, 2021	March 31, 2022	**June 30, 2022**	June 30, 2021
Net cash provided by (used in) operating activities	**$ 34,060**	$ 19,697	$ (16,843)	**$ 17,217**	$ 31,626
Add (deduct):					
Changes in non-cash Working Capital from (used in) operating activities	**18,836**	(10,891)	50,805	**69,641**	(9,571)
Sustaining capital	**(10,514)**	(6,258)	(8,911)	**(19,425)**	(11,021)
Term loan principal repayments	**(6,987)**	-	(6,988)	**(13,975)**	-
Lease payments (net of sublease receipts)	**(2,228)**	(1,496)	(1,891)	**(4,119)**	(2,903)
Free Cash Flow	**$ 33,167**	$ 962	$ 16,172	**$ 49,339**	$ 8,131

"Revenue per operating day" is a financial ratio not presented in accordance with IFRS and is used as a reference to represent market pricing for our services. It is calculated based on total revenue divided by total operating days. An operating day is defined as any coiled tubing and fracturing work that is performed in a 24-hour period, exclusive of ancillary services. This calculation may fluctuate based on both pricing and sales mix. See the tables under "Canadian Operations Review" and "United States Operations Review" for the inputs used to calculate STEP's revenue per operating day metrics.

"Working Capital", "Total long-term financial liabilities" and "Net debt" are financial measures not presented in accordance with IFRS. "Working Capital" is equal to total current assets less total current liabilities. "Total long-term financial liabilities" is comprised of loans and borrowings, long-term lease obligations and other liabilities. "Net debt" is equal to loans and borrowings before deferred financing charges less cash and cash equivalents. The data presented is intended to provide additional information about items on the statement of financial position and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

The following table represents the composition of the non-IFRS financial measure of Working Capital (including cash and cash equivalents).

($000s)	June 30, 2022	December 31, 2021
Current assets	$ 236,558	$ 133,255
Current liabilities	(182,172)	(129,343)
Working Capital (including cash and cash equivalents)	$ 54,386	$ 3,912

The following table presents the composition of the non-IFRS financial measure of Total long-term financial liabilities.

($000s)	June 30, 2022	December 31, 2021
Long-term loans	$ 168,013	$ 162,007
Long-term leases	12,270	9,163
Other long-term liabilities	12,276	4,519
Total long-term financial liabilities	$ 192,559	$ 175,689

The following table presents the composition of the non-IFRS financial measure of Net debt.

($000s)	June 30, 2022	December 31, 2021
Loans and borrowings	$ 195,963	$ 189,957
Add back: Deferred financing costs	422	626
Less: Cash and cash equivalents	(2,178)	(3,698)
Net debt	$ 194,207	$ 186,885

ACCOUNTING POLICIES AND ESTIMATES

RELATED PARTIES

ARC Energy Fund 6 Canadian Limited Partnership, ARC Energy Fund 6 United States Limited Partnership, ARC Energy Fund 6 International Limited Partnership and ARC Capital 6 Limited Partnership (collectively, "ARC Energy Fund 6") and ARC Energy Fund 8 Canadian Limited Partnership, ARC Energy Fund 8 United States Limited Partnership, ARC Energy Fund 8 International Limited Partnership and ARC Capital 8 Limited Partnership (collectively, "ARC Energy Fund 8"), each a private equity fund advised by ARC Financial Corp. have been investors in the Company since 2011 and 2015, respectively.

DISCLOSURE CONTROLS AND PROCEDURES

The Company is required to comply with National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109"). The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of STEP are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") for the Company.

The Company's designed DC&P provides reasonable assurance that material information is made known to the certifying officers, and that information disclosed by the Company is done in the time period specified in securities legislation.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As defined within NI 52-109, the Company's CEO and CFO are responsible for establishing and maintaining internal control over financial reporting (ICFR). The Company's designed ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles ("GAAP"). The framework behind the design of the Company's ICFR was the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013) ("COSO").

A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met, and it should not be expected that the control system will prevent all errors or fraud.

There have been no changes in the Company's existing ICFR that occurred during the period ending June 30, 2022, which have materially affected or are reasonably likely to materially affect the Company's ICFR.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

This MD&A is based on the Quarterly Financial Statements. The preparation of the Quarterly Financial Statements requires that certain estimates and judgments be made concerning the reported amount of revenue and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgment. The estimation of anticipated future events involves uncertainty and therefore the estimates used by management in the preparation of the Quarterly Financial Statements may change as events unfold, additional knowledge is acquired or the environment in which the Company operates changes. Refer to Note 1 to the Quarterly Financial Statements and Notes 1 and 2 to the Annual Financial Statements for a description of the Company's accounting policies, impacts of changes in significant accounting policies, and practices involving the use of estimates and judgments that are critical to determining STEP's financial results.

RISK FACTORS AND RISK MANAGEMENT

The oilfield services industry involves many risks, which may influence the ultimate success of the Company. The risks and uncertainties set out in the AIF and Annual MD&A are not the only ones the Company is facing. There are additional risks and uncertainties that the Company does not currently know about or that the Company currently considers immaterial which may also impair the Company's business operations and can cause the price of the Common Shares to decline. Readers should review and carefully consider the disclosure provided under the heading "Risk Factors" in the AIF and "Risk Factors and Risk Management" in the Annual MD&A, both of which are available on www.sedar.com, and the disclosure provided in this MD&A under the headings "*Outlook*". In addition, global and national risks associated with inflation or economic contraction may adversely affect the Company by, among other things, reducing economic activity resulting in lower demand, and pricing, for crude oil and natural gas products, and thereby the demand and pricing for the Company's services. Other than as supplemented in this MD&A, the Company's risk factors, and management thereof has not changed substantially from those disclosed in the AIF and Annual MD&A.

FORWARD-LOOKING INFORMATION & STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws (collectively, "forward-looking statements"). These statements relate to the expectations of management about future events, results of operations and the Company's future performance (both operational and financial) and business prospects. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue",

"potential", "objective" and "capable" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. While the Company believes the expectations reflected in the forward-looking statements included in this MD&A are reasonable, such statements are not guarantees of future performance or outcomes and may prove to be incorrect and should not be unduly relied upon.

In particular, but without limitation, this MD&A contains forward-looking statements pertaining to: 2022 and 2023 industry conditions and outlook, including the continuation of strong oil and gas prices in 2023, and its effects on drilling activity levels and activity levels; anticipated Q3 2022 and 2023 results; supply and demand for the Company's and its competitors' services, including the ability for the industry to respond to demand increases and the Company's capacity commitments; expected pricing for the Company's services; the impact of weather and break up on the Company's operations; staffing challenges and labour shortages, and its effect on activity and equipment levels and service sector supply; the potential for near term commodity price volatility and recession risk; the Company's ability to realize the benefits of pricing increases in subsequent quarters; the Company's ability to meet all financial commitments including interest payments over the next twelve months; the Company's anticipated business strategies and anticipated operations, including increases in annular and single well fracturing in the third quarter of 2022; the effect of Blueberry First Nation negotiations on market demand and equipment requirements; the Company's plans regarding additional equipment; the Company's ability to manage its capital structure; pricing received for the Company's services, including the Company's ability to increase or maintain pricing; potential increases to client capital programs in 2022 ; market supply and demand balance for the Company's services; expected profitability; expected income tax liabilities; adequacy of resources to funds operations, financial obligations and planned capital expenditures in 2022; the Company's ability to retain its existing clients; the monitoring of industry demand, client capital budgets and market conditions; the Company's ability to maintain a lean cost structure; and the Company's expected compliance with covenants under its credit facilities and its ability to satisfy its financial commitments thereunder.

The forward-looking information and statements contained in this MD&A reflect several material factors and expectations and assumptions of the Company including, without limitation: the effect of military conflict in the Ukraine and related Canadian, U.S. and international sanctions involving Russia on the market for the Company's services; market concerns regarding economic recession; levels of oil and gas production and the effect of OPEC or OPEC+ related capacity and related uncertainty on the market for the Company's services; that the Company will continue to conduct its operations in a manner consistent with past operations; the Company will continue as a going concern; the general continuance of current or, where applicable, assumed industry conditions; pricing of the Company's services; the Company's ability to market successfully to current and new clients; predictable effect of seasonal weather and break up on the Company's operations; the Company's ability to utilize its equipment; the Company's ability to collect on trade and other receivables; the Company's ability to obtain and retain qualified staff and equipment in a timely and cost effective manner; levels of deployable equipment; future capital expenditures to be made by the Company; future funding sources for the Company's capital program; the Company's future debt levels; the availability of unused credit capacity on the Company's credit lines; the impact of competition on the Company; the Company's ability to obtain financing on acceptable terms; the Company's continued compliance with financial covenants; the amount of available equipment in the marketplace; and client activity levels and spending. The Company believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations and assumptions will prove correct.

Actual results could differ materially from those anticipated in these forward-looking statements due to the risk factors set forth under the heading "Risk Factors" in the AIF and under the heading "Risk Factors and Risk Management" in this MD&A and the Annual MD&A.

Any financial outlook or future orientated financial information contained in this MD&A regarding prospective financial performance, financial position or cash flows is based on the assumptions about future events, including economic conditions and proposed courses of action based on management's assessment of the relevant information that is currently available. Projected operational information, including the Company's capital program, contains forward looking information and is based on a number of material assumptions and factors, as are set out above. These projections may also be considered to contain future oriented financial information or a financial outlook. The actual results of the Company's operations will likely vary from the amounts set forth in these projections and such variations may be material. Readers are cautioned that any such

financial outlook and future oriented financial information contains herein should not be used for purposes other than those for which it is disclosed herein.

The forward-looking information and statements contained in this MD&A speak only as of the date of the document, and none of the Company or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws. The reader is cautioned not to place undue reliance on forward-looking information.